

CITY OF ROCKFORD, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2014

- Prepared By -

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CITY OF ROCKFORD, IOWA

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CITY OF ROCKFORD, IOWA

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
(Before January 2014)		
Harry White	Mayor	January 2014
Scott Johnson	Mayor Pro tem	January 2016
Bruce Inman	Council Member	January 2014
Diane Marker	Council Member	January 2014
David Peterson	Council Member	January 2014
Alvin Marth	Council Member	January 2016
Pam Hopper	City Clerk/Treasurer	Indefinite
Judith O'Donohoe	Attorney	Indefinite
(After January 2014)		
Robert Farr	Mayor	January 2016
Scott Johnson	Mayor Pro tem	January 2016
Alvin Marth	Council Member	January 2016
Vernon Arndt	Council Member	January 2018
Michael Smith	Council Member	January 2018
Jason Stokes	Council Member	January 2018
Pam Hopper	City Clerk/Treasurer	Indefinite
Judith O'Donohoe	Attorney	Indefinite



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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Rockford, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Rockford as of June 30, 2014, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. My opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rockford's basic financial statements. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the one year ended June 30, 2013 (which are not presented herein) and expressed qualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 4 through 8 and 24 through 26, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated December 23, 2014 on my consideration of the City of Rockford's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Rockford's internal control over financial reporting and compliance.



Charles City, Iowa
December 23, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Rockford provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. I encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

Receipts of the City's governmental activities decreased 0.3%, or approximately \$5,000 from fiscal year 2013 to fiscal year 2014. Capital grants, contributions and restricted interest and other general receipts increased approximately \$785,000 and \$21,000, respectively, while bond proceeds and local option sales tax decreased approximately \$893,000 and \$19,000, respectively.

Disbursements of the City's governmental activities increased 229%, or approximately \$1,434,000, in fiscal year 2014 from fiscal year 2013. Capital projects and debt service disbursements increased approximately \$1,356,000 and \$59,000, respectively, while public works disbursements decreased approximately \$19,000.

The City's total cash basis net position decreased 16.3%, or approximately \$444,000, from June 30, 2013 to June 30, 2014. Of this amount, the cash basis net position of the governmental activities decreased approximately \$489,000 and the cash basis net position of the business type activities increased by approximately \$45,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the nonmajor governmental and proprietary funds and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position present the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.

Business Type Activities include the waterworks, the sanitary sewer system and the light plant. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Local Option Sales Tax, 3) the Debt Service Fund and 4) the Capital Projects Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains several Enterprise Funds to provide separate information for the Water, Sewer Rental and Electric Funds, considered to be major funds of the City.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from approximately \$1,548,000 to approximately \$1,059,000. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)

	<u>Year ended June 30,</u>	
	<u>2014</u>	<u>2013</u>
Receipts:		
Program receipts:		
Charges for service	\$ 42	\$ 44
Operating grants, contributions and restricted interest	101	98
Capital grants, contributions and restricted interest	978	193
General receipts:		
Property tax	213	202
Local option sales tax	69	88
Unrestricted interest on investments	1	1
Bond proceeds, net	-	893
Bank loan proceeds	89	-
Other general receipts	46	25
Total receipts	<u>\$1,539</u>	<u>\$ 1,544</u>
Disbursements:		
Public safety	\$ 25	\$ 24
Public works	162	181
Culture and recreation	69	78
Community and economic development	5	5
General government	161	115
Debt service	59	-
Capital projects	1,579	223
Total disbursements	<u>\$2,060</u>	<u>\$ 626</u>
Change in cash basis net position before transfers	\$ (521)	\$ 918
Transfers, net	<u>32</u>	<u>(7)</u>
Change in cash basis net position	\$ (489)	\$ 911
Cash basis net position beginning of year	<u>1,548</u>	<u>637</u>
Cash basis net position end of year	<u>\$1,059</u>	<u>\$ 1,548</u>

The City's total receipts for governmental activities decreased 0.3%, or approximately \$5,000. The total cost of all programs and services increased approximately \$1,434,000, or 229%. The decrease in receipts was primarily the result of proceeds received in the prior year from the issuance of general obligation bonds. The significant increase in disbursements was due primarily to the East Main Bridge Capital Project.

The cost of all governmental activities this year was approximately \$2,060,000 compared to approximately \$626,000 last year. However, as shown in the Statement of Activities and Net Position on pages 9-12, the amount taxpayers ultimately financed for these activities was approximately \$939,000 because some of the cost was paid by those directly benefited from the programs (approximately \$42,000) or by other governments and organizations which subsidized certain programs with grants, contributions, and restricted interest (approximately \$1,079,000). The City paid for the remaining "public benefit" portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest, local option sales tax and miscellaneous receipts. Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2014 from approximately \$335,000 to approximately \$1,121,000.

Changes in Cash Basis Net Position of Business Type Activities
(Expressed in Thousands)

	<u>Year ended June 30,</u>	
	2014	2013
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 184	\$ 156
Sewer rental	98	100
Electric	819	793
General receipts:		
Unrestricted interest on investments	7	9
Other general receipts	27	10
Total receipts	<u>\$ 1,135</u>	<u>\$ 1,068</u>
Disbursements:		
Water	\$ 134	\$ 174
Sewer rental	116	112
Electric	799	782
Other	9	12
Total disbursements	<u>\$ 1,058</u>	<u>\$ 1,080</u>
Change in cash basis net position before transfers	\$ 77	\$ (12)
Transfers, net	<u>(32)</u>	<u>7</u>
Change in cash basis net position	\$ 45	\$ (5)
Cash basis net position beginning of year	<u>1,174</u>	<u>1,179</u>
Cash basis net position end of year	<u>\$ 1,219</u>	<u>\$ 1,174</u>

Total business type activities receipts for the fiscal year were approximately \$1,135,000 compared to approximately \$1,068,000 last year. This increase was due primarily to an increase in water and electric rates. The cash balance increased by approximately \$45,000 from the prior year. Total disbursements for the fiscal year decreased 2.0% to a total of approximately \$1,058,000 due mainly to fewer water repairs.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Rockford completed the year, its governmental funds reported a combined fund balance of \$1,059,223, a decrease of more than \$488,000 below last year's total of \$1,547,725. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund cash balance increased \$41,103 from the prior year to \$381,048. This was due mainly to a large contribution received during the year.

The Special Revenue, Road Use Tax Fund cash balance was \$64,991, an increase of \$61,422 from the previous year. The increase was the result of bank loan proceeds received during the year.

The Special Revenue, Local Option Sales Tax Fund cash balance increased \$44,541 to \$331,222 during the fiscal year.

The Debt Service Fund cash balance increased to \$125,090, due to capital grants and transfers in during the year.

The Capital Projects, Water Main Fund cash balance decreased \$343,634 to \$34,557 during the fiscal year. This decrease was the result of project expenses during the current fiscal year, while the bond proceeds were received in the prior year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Enterprise, Water Fund cash balance increased \$36,978 to \$268,804, due primarily to an increase in charges for service and fewer repairs during the year.

The Enterprise, Sewer Rental Fund cash balance decreased \$9,454 to \$336,053, due primarily to an increase in operating disbursements from the prior year.

The Enterprise, Electric Fund cash balance increased by \$19,871 to \$717,565, due to increased operating receipts.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on January 14, 2014 and resulted in an increase in operating disbursements of \$868,765. The City had sufficient cash balances to absorb these additional costs.

The City exceeded the amount budgeted in the debt service function for the year ended June 30, 2014.

DEBT ADMINISTRATION

At June 30, 2014, the City had approximately \$949,000 of bonds and other long-term debt outstanding, compared to \$900,000 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)

	June 30,	
	2014	2013
General obligation bonds	\$ 860	\$ 900
Bank loans	89	-
Total	<u>\$ 949</u>	<u>\$ 900</u>

Debt increased as a result of bank loan proceeds received to purchase a tractor.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$949,316 is significantly below its constitutional debt limit of \$1,517,377.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Rockford's elected and appointed officials and citizens considered many factors when setting the fiscal year 2015 budget, tax rates and fees charged for various City activities. One of those factors is the economy.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Pam Hopper, City Clerk, 206 West Main Street, Rockford, Iowa 50468.

Basic Financial Statements

CITY OF ROCKFORD, IOWA
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

		<u>Program Receipts</u>		
		<u>Operating</u>	<u>Grants,</u>	<u>Capital Grants,</u>
		<u>Charges</u>	<u>Contributions</u>	<u>Contributions</u>
		<u>for</u>	<u>and Restricted</u>	<u>and Restricted</u>
	<u>Disbursements</u>	<u>Service</u>	<u>Interest</u>	<u>Interest</u>
FUNCTIONS/PROGRAMS:				
Governmental activities:				
Public safety	\$ 25,019	\$ 170	\$ -	\$ -
Public works	161,782	35,186	85,874	-
Culture and recreation	69,395	5,692	15,842	-
Community and economic development	4,418	-	-	-
General government	161,128	968	-	29,600
Debt service	58,954	-	-	-
Capital projects	<u>1,579,180</u>	<u>-</u>	<u>-</u>	<u>948,357</u>
Total governmental activities	<u>\$2,059,876</u>	<u>\$ 42,016</u>	<u>\$ 101,716</u>	<u>\$ 977,957</u>
Business type activities:				
Water	\$ 133,649	\$ 183,912	\$ -	\$ -
Sewer rental	116,404	98,337	-	-
Electric	799,415	818,740	-	-
Other	<u>8,616</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total business type activities	<u>\$1,058,084</u>	<u>\$1,100,989</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u><u>\$3,117,960</u></u>	<u><u>\$1,143,005</u></u>	<u><u>\$ 101,716</u></u>	<u><u>\$ 977,957</u></u>

(continued)

**Net (Disbursements) Receipts and
Changes in Cash Basis Net Position**

Governmental Activities	Business Type Activities	Total
\$ (24,849)	\$ -	\$ (24,849)
(40,722)	-	(40,722)
(47,861)	-	(47,861)
(4,418)	-	(4,418)
(130,560)	-	(130,560)
(58,954)	-	(58,954)
<u>(630,823)</u>	<u>-</u>	<u>(630,823)</u>
 \$ (938,187)	 \$ -	 \$ (938,187)
 \$ -	 \$ 50,263	 \$ 50,263
-	(18,067)	(18,067)
-	19,325	19,325
<u>-</u>	<u>(8,616)</u>	<u>(8,616)</u>
 \$ -	 \$ 42,905	 \$ 42,905
<u>\$ (938,187)</u>	<u>\$ 42,905</u>	<u>\$ (895,282)</u>

CITY OF ROCKFORD, IOWA
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

General Receipts and Transfers:

- Property and other city tax levied for:
 - General purposes
 - Local option sales tax
- Unrestricted interest on investments
- Bank loan proceeds
- Miscellaneous
- Transfers

Total general receipts and transfers

Change in cash basis net position

Cash basis net position beginning of year

Cash basis net position end of year

Cash Basis Net Position:

- Restricted:
 - Expendable:
 - Streets
 - Debt service
 - Other purposes
- Unrestricted

Total cash basis net position

See Notes to Financial Statements.

**Net (Disbursements) Receipts and
Changes in Cash Basis Net Position**

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ 212,987	\$ -	\$ 212,987
68,893	-	68,893
441	6,432	6,873
89,316	-	89,316
46,299	27,244	73,543
<u>31,749</u>	<u>(31,749)</u>	<u>-</u>
<u>\$ 449,685</u>	<u>\$ 1,927</u>	<u>\$ 451,612</u>
\$ (488,502)	\$ 44,832	\$ (443,670)
<u>1,547,725</u>	<u>1,174,518</u>	<u>2,722,243</u>
<u>\$ 1,059,223</u>	<u>\$1,219,350</u>	<u>\$ 2,278,573</u>
\$ 64,991	\$ -	\$ 64,991
125,090	-	125,090
371,369	-	371,369
<u>497,773</u>	<u>1,219,350</u>	<u>1,717,123</u>
<u>\$ 1,059,223</u>	<u>\$1,219,350</u>	<u>\$ 2,278,573</u>

CITY OF ROCKFORD, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

	<u>General</u>	<u>Special Road Use Tax</u>
RECEIPTS:		
Property tax	\$ 166,379	\$ -
Other city tax	3,725	-
Licenses and permits	1,138	-
Use of money and property	1,237	-
Intergovernmental	45,442	85,874
Charges for service	39,458	-
Miscellaneous	46,372	488
Total receipts	<u>\$ 303,751</u>	<u>\$ 86,362</u>
DISBURSEMENTS:		
Operating:		
Public safety	\$ 25,019	\$ -
Public works	47,526	114,256
Culture and recreation	57,161	-
Community and economic development	4,418	-
General government	139,820	-
Debt service	-	-
Capital projects	-	-
Total disbursements	<u>\$ 273,944</u>	<u>\$ 114,256</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ 29,807</u>	<u>\$ (27,894)</u>
Other financing sources (uses):		
Bank loan proceeds	\$ -	\$ 89,316
Interfund loans	-	-
Operating transfers in	11,296	-
Operating transfers out	-	-
Total other financing sources (uses)	<u>\$ 11,296</u>	<u>\$ 89,316</u>
Change in cash balances	\$ 41,103	\$ 61,422
Cash balances beginning of year	<u>339,945</u>	<u>3,569</u>
Cash balances end of year	<u>\$ 381,048</u>	<u>\$ 64,991</u>
Cash Basis Fund Balances:		
Restricted for:		
Streets	\$ -	\$ 64,991
Debt service	-	-
Other purposes	-	-
Committed for capital projects	-	-
Assigned for library	108,605	-
Unassigned	<u>272,443</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 381,048</u>	<u>\$ 64,991</u>

See Notes to Financial Statements.

Revenue		Capital Projects		
Local Option	Debt	Water Main	Nonmajor	Total
Sales Tax	Service			
\$ -	\$ -	\$ -	\$ 42,883	\$ 209,262
68,893	-	-	-	72,618
-	-	-	-	1,138
-	63	-	-	1,300
-	948,357	-	-	1,079,673
-	-	-	-	39,458
-	-	-	-	46,860
<u>\$ 68,893</u>	<u>\$ 948,420</u>	<u>\$ -</u>	<u>\$ 42,883</u>	<u>\$ 1,450,309</u>
\$ -	\$ -	\$ -	\$ -	\$ 25,019
-	-	-	-	161,782
-	-	-	12,234	69,395
-	-	-	-	4,418
-	-	-	21,308	161,128
-	58,954	-	-	58,954
-	1,235,546	343,634	-	1,579,180
<u>\$ -</u>	<u>\$1,294,500</u>	<u>\$ 343,634</u>	<u>\$ 33,542</u>	<u>\$ 2,059,876</u>
<u>\$ 68,893</u>	<u>\$ (346,080)</u>	<u>\$ (343,634)</u>	<u>\$ 9,341</u>	<u>\$ (609,567)</u>
\$ -	\$ -	\$ -	\$ -	\$ 89,316
(24,352)	24,352	-	-	-
-	446,818	-	-	458,114
-	-	-	(426,365)	(426,365)
<u>\$ (24,352)</u>	<u>\$ 471,170</u>	<u>\$ -</u>	<u>\$ (426,365)</u>	<u>\$ 121,065</u>
\$ 44,541	\$ 125,090	\$ (343,634)	\$ (417,024)	\$ (488,502)
286,681	-	378,191	539,339	1,547,725
<u>\$ 331,222</u>	<u>\$ 125,090</u>	<u>\$ 34,557</u>	<u>\$ 122,315</u>	<u>\$ 1,059,223</u>
\$ -	\$ -	\$ -	\$ -	\$ 64,991
-	125,090	-	-	125,090
331,222	-	-	40,147	371,369
-	-	34,557	87,000	121,557
-	-	-	-	108,605
-	-	-	(4,832)	267,611
<u>\$ 331,222</u>	<u>\$ 125,090</u>	<u>\$ 34,557</u>	<u>\$ 122,315</u>	<u>\$ 1,059,223</u>

CITY OF ROCKFORD, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer Rental</u>	<u>Electric</u>
Operating receipts:			
Charges for service	\$ 183,912	\$ 98,337	\$ 818,740
Miscellaneous	3,777	-	17,414
Total operating receipts	<u>\$ 187,689</u>	<u>\$ 98,337</u>	<u>\$ 836,154</u>
Operating disbursements:			
Business type activities	<u>133,649</u>	<u>116,404</u>	<u>799,415</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	\$ 54,040	\$ (18,067)	\$ 36,739
Non-operating receipts:			
Interest on investments	<u>2,076</u>	<u>2,751</u>	<u>1,605</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ 56,116</u>	<u>\$ (15,316)</u>	<u>\$ 38,344</u>
Other financing sources (uses):			
Operating transfer in	\$ 5,862	\$ 5,862	\$ -
Operating transfer out	<u>(25,000)</u>	<u>-</u>	<u>(18,473)</u>
Total other financing sources (uses)	<u>\$ (19,138)</u>	<u>\$ 5,862</u>	<u>\$ (18,473)</u>
Change in cash balances	\$ 36,978	\$ (9,454)	\$ 19,871
Cash balances beginning of year	<u>231,826</u>	<u>345,507</u>	<u>697,694</u>
Cash balances end of year	<u>\$ 268,804</u>	<u>\$ 336,053</u>	<u>\$ 717,565</u>
Cash Basis Fund Balances:			
Committed for customer deposits	\$ -	\$ -	\$ -
Unrestricted	<u>268,804</u>	<u>336,053</u>	<u>717,565</u>
Total cash basis fund balances	<u>\$ 268,804</u>	<u>\$ 336,053</u>	<u>\$ 717,565</u>

See Notes to Financial Statements.

<u>Nonmajor</u>	<u>Total</u>
\$ -	\$1,100,989
6,053	27,244
<u>\$ 6,053</u>	<u>\$1,128,233</u>
8,616	1,058,084
\$ (2,563)	\$ 70,149
-	6,432
<u>\$ (2,563)</u>	<u>\$ 76,581</u>
\$ -	\$ 11,724
-	(43,473)
<u>\$ -</u>	<u>\$ (31,749)</u>
\$ (2,563)	\$ 44,832
(100,509)	1,174,518
<u>\$ (103,072)</u>	<u>\$1,219,350</u>
\$ 27,098	\$ 27,098
(130,170)	1,192,252
<u>\$ (103,072)</u>	<u>\$1,219,350</u>

CITY OF ROCKFORD, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(1) Summary of Significant Accounting Policies

The City of Rockford is a political subdivision of the State of Iowa located in Floyd County. It was first incorporated in 1878 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development and general services. The City also provides water, sewer and electric utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Rockford has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board Criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the North Iowa Area Council of Governments, Floyd County Assessor's Conference Board, Floyd County Emergency Management Commission, Floyd County Landfill Commission and Floyd County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City.

CITY OF ROCKFORD, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(1) Summary of Significant Accounting Policies - continued

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and proprietary funds are aggregated and reported as nonmajor governmental and proprietary funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for local option sales tax receipts and disbursements.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects, Water Main Fund is used to account for the water main system improvement.

CITY OF ROCKFORD, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(1) Summary of Significant Accounting Policies - continued

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Rental Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, Electric Fund accounts for the operation and maintenance of the City's electric utilities.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications-committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts the City Council intends to use for specific purposes.

CITY OF ROCKFORD, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(1) Summary of Significant Accounting Policies - continued

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2014, disbursements exceeded the amount budgeted in the debt service function.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) Bonds Payable

Annual debt service requirements to maturity for bank loans and general obligation bonds are as follows:

Year Ending June 30,	Bank Loans		General Obligation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 7,052	\$ 3,698	\$ 40,000	\$ 17,942	\$ 47,052	\$ 21,640
2016	7,665	3,085	40,000	17,683	47,665	20,768
2017	7,945	2,805	40,000	17,422	47,945	20,227
2018	8,250	2,500	45,000	16,923	53,250	19,423
2019	8,560	2,190	45,000	16,360	53,560	18,550
2020-2024	49,844	5,893	225,000	72,148	274,844	78,041
2025-2029	-	-	255,000	50,125	255,000	50,125
2030-2032	-	-	170,000	12,075	170,000	12,075
Total	<u>\$ 89,316</u>	<u>\$ 20,171</u>	<u>\$ 860,000</u>	<u>\$220,678</u>	<u>\$ 949,316</u>	<u>\$240,849</u>

The resolution providing for the issuance of the general obligation bonds includes the following provision:

CITY OF ROCKFORD, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(3) Bonds Payable - continued

- (a) At the option of the City, bonds due on the Bridge/Water System Bonds issue of May 28, 2013, are subject to redemption and prepayment for years maturing in 2024 to 2032, inclusive, prior to maturity on June 1, 2022, and on any interest payment date thereafter, at a price of par plus accrued interest to call date, by giving proper notice.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees' Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contributions requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2014 and 2013 were \$24,408 and \$23,681, respectively, equal to the required contributions for each year.

(5) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 7 active and 1 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premium for the City and plan members range from \$254 to \$1,109 for single coverage. For the year ended June 30, 2014, the City contributed \$59,408 and plan members eligible for benefits did not contribute to the plan.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and comp time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and comp time payable to employees at June 30, 2014, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 9,173
Comp time	12,861
Total	<u>\$22,034</u>

CITY OF ROCKFORD, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(6) **Compensated Absences** - continued

This liability has been computed based on rates of pay in effect at June 30, 2014.

(7) **Loans**

Interfund Loan Agreement

On February 11, 2014, the City Council authorized a loan agreement not to exceed \$40,000 to be advanced from the Special Revenue, Local Option Sales Tax Fund to the Debt Service Fund to assist with the 2013 general obligation bond payment. The loan bears no interest. As of June 30, 2014, \$24,352 had been advanced with no repayments made. The loan will be repaid from the June 30, 2015 and 2016 property tax revenues.

(8) **Risk Management**

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks did not exceed commercial insurance coverage during the past two years.

(9) **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Emergency	\$ 4,547
	Enterprise:	
	Electric	6,749
		<u>\$ 11,296</u>
Debt Service	Capital Projects:	
	East Main Bridge	\$ 421,818
	Enterprise:	
	Water	25,000
		<u>\$ 446,818</u>
Enterprise:	Enterprise:	
Water	Electric	<u>\$ 5,862</u>
Sewer	Electric	<u>\$ 5,862</u>
Total		<u>\$ 469,838</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

CITY OF ROCKFORD, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(10) **Deficit Balances**

At June 30, 2014, the City had deficit balances as follows:

Special Revenue, Hazard Mitigation Fund	\$ 606
Capital Projects, Property Acquisition Fund	4,226
Enterprise, Storm Sewer Fund	6,684
Enterprise, Thermostat Fund	34,468
Enterprise, Rebate Program Fund	1,250
Enterprise, Office Project Fund	87,768

The deficit balances were due to deficit beginning balances and project costs incurred prior to availability of funds. Most of these accounts will be closed out by making the necessary transfers.

(11) **Commitments**

At June 30, 2014, the following construction commitments had been made:

<u>Project</u>	<u>Total Contract</u>	<u>Costs Incurred To Date</u>
Bridge Replacement	<u>\$1,421,579</u>	<u>\$1,354,948</u>

(12) **Law Enforcement Contract**

The City of Rockford entered into an agreement with the Floyd County Sheriff's Department for the purpose of providing the City with law enforcement services. The amount paid on the contract by the City for the year ended June 30, 2014 amounted to \$3,628.

(13) **Subsequent Events**

On August 12, 2014 the Council approved a street repair project in the amount of \$46,834.

(14) **Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB No. 27. This Statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

Other Information

CITY OF ROCKFORD, IOWA
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL
GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
OTHER INFORMATION
YEAR ENDED JUNE 30, 2014

	Governmental Funds Actual	Proprietary Funds Actual
RECEIPTS:		
Property tax	\$ 209,262	\$ -
Other city tax	72,618	-
Licenses and permits	1,138	-
Use of money and property	1,300	6,432
Intergovernmental	1,079,673	-
Charges for service	39,458	1,100,989
Miscellaneous	46,860	27,244
Total receipts	<u>\$ 1,450,309</u>	<u>\$1,134,665</u>
DISBURSEMENTS:		
Public safety	\$ 25,019	\$ -
Public works	161,782	-
Culture and recreation	69,395	-
Community and economic development	4,418	-
General government	161,128	-
Debt service	58,954	-
Capital projects	1,579,180	-
Business type activities	-	1,058,084
Total disbursements	<u>\$ 2,059,876</u>	<u>\$1,058,084</u>
Excess (deficiency) of receipts over (under) disbursements	\$ (609,567)	\$ 76,581
Other financing sources, net	<u>121,065</u>	<u>(31,749)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ (488,502)	\$ 44,832
Balances beginning of year	<u>1,547,725</u>	<u>1,174,518</u>
Balances end of year	<u>\$ 1,059,223</u>	<u>\$1,219,350</u>

See Accompanying Independent Auditor's Report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
\$ 209,262	\$ 206,849	\$ 206,849	\$ 2,413
72,618	67,332	67,332	5,286
1,138	1,610	1,610	(472)
7,732	9,295	9,295	(1,563)
1,079,673	971,484	971,484	108,189
1,140,447	1,305,765	1,305,765	(165,318)
74,104	44,439	92,677	(18,573)
<u>\$2,584,974</u>	<u>\$2,606,774</u>	<u>\$2,655,012</u>	<u>\$ (70,038)</u>
\$ 25,019	\$ 25,655	\$ 25,655	\$ 636
161,782	122,545	211,895	50,113
69,395	99,520	99,520	30,125
4,418	5,000	5,000	582
161,128	141,168	166,168	5,040
58,954	-	-	(58,954)
1,579,180	962,750	1,717,165	137,985
1,058,084	1,224,317	1,224,317	166,233
<u>\$3,117,960</u>	<u>\$2,580,955</u>	<u>\$3,449,720</u>	<u>\$ 331,760</u>
\$ (532,986)	\$ 25,819	\$ (794,708)	\$ 261,722
<u>89,316</u>	<u>-</u>	<u>-</u>	<u>89,316</u>
\$ (443,670)	\$ 25,819	\$ (794,708)	\$ 351,038
<u>2,722,243</u>	<u>2,303,910</u>	<u>2,303,910</u>	<u>418,333</u>
<u>\$2,278,573</u>	<u>\$2,329,729</u>	<u>\$1,509,202</u>	<u>\$ 769,371</u>

CITY OF ROCKFORD, IOWA
NOTES TO OTHER INFORMATION - BUDGETARY REPORTING
JUNE 30, 2014

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$890,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2014, disbursements exceeded the amount budgeted in the debt service function.

Supplementary Information

CITY OF ROCKFORD, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

	<u>Special Revenue</u>		
	<u>Employee Benefits</u>	<u>Hazard Mitigation</u>	<u>Emergency</u>
RECEIPTS:			
Property tax	\$ 38,011	\$ -	\$ 4,872
DISBURSEMENTS:			
Operating:			
Culture and recreation	\$ 12,234	\$ -	\$ -
General government	21,308	-	-
Total disbursements	<u>\$ 33,542</u>	<u>\$ -</u>	<u>\$ -</u>
Excess of receipts over disbursements	\$ 4,469	\$ -	\$ 4,872
Operating transfers out	-	-	(4,547)
Change in cash balances	\$ 4,469	\$ -	\$ 325
Cash balances beginning of year	30,805	(606)	4,548
Cash balances end of year	<u>\$ 35,274</u>	<u>\$ (606)</u>	<u>\$ 4,873</u>
Cash Basis Fund Balances:			
Restricted for other purposes	\$ 35,274	\$ -	\$ 4,873
Committed for city hall project	-	-	-
Unassigned	-	(606)	-
Total cash basis fund balances	<u>\$ 35,274</u>	<u>\$ (606)</u>	<u>\$ 4,873</u>

See Accompanying Independent Auditor's Report.

Capital Projects			
East Main Bridge	City Hall Project	Property Acquisition	Total
\$ -	\$ -	\$ -	\$ 42,883
\$ -	\$ -	\$ -	\$ 12,234
\$ -	\$ -	\$ -	21,308
\$ -	\$ -	\$ -	\$ 33,542
\$ -	\$ -	\$ -	\$ 9,341
(421,818)	-	-	(426,365)
\$ (421,818)	\$ -	\$ -	\$ (417,024)
421,818	87,000	(4,226)	539,339
\$ -	\$ 87,000	\$ (4,226)	\$ 122,315
\$ -	\$ -	\$ -	\$ 40,147
-	87,000	-	87,000
-	-	(4,226)	(4,832)
\$ -	\$ 87,000	\$ (4,226)	\$ 122,315

CITY OF ROCKFORD, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NONMAJOR PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

	Enterprise			
	Water Meter Deposit	Storm Sewer	Light Meter Deposit	Thermostat
Operating receipts:				
Miscellaneous	\$ 700	\$ -	\$ 5,353	\$ -
Operating disbursements:				
Business type activities	790	-	7,626	-
Change in cash balances	\$ (90)	\$ -	\$ (2,273)	\$ -
Cash balances beginning of year	6,494	(6,684)	22,967	(34,468)
Cash balances end of year	<u>\$ 6,404</u>	<u>\$ (6,684)</u>	<u>\$ 20,694</u>	<u>\$ (34,468)</u>
Cash Basis Fund Balances:				
Committed for customer deposits	\$ 6,404	\$ -	\$ 20,694	\$ -
Unrestricted	-	(6,684)	-	(34,468)
Total cash basis fund balances	<u>\$ 6,404</u>	<u>\$ (6,684)</u>	<u>\$ 20,694</u>	<u>\$ (34,468)</u>

See Accompanying Independent Auditor's Report.

<u>Rebate Program</u>	<u>Office Project</u>	<u>Total</u>
\$ -	\$ -	\$ 6,053
<u>200</u>	<u>-</u>	<u>8,616</u>
\$ (200)	\$ -	\$ (2,563)
<u>(1,050)</u>	<u>(87,768)</u>	<u>(100,509)</u>
<u>\$ (1,250)</u>	<u>\$ (87,768)</u>	<u>\$ (103,072)</u>
\$ -	\$ -	\$ 27,098
<u>(1,250)</u>	<u>(87,768)</u>	<u>(130,170)</u>
<u>\$ (1,250)</u>	<u>\$ (87,768)</u>	<u>\$ (103,072)</u>

CITY OF ROCKFORD, IOWA
SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2014

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Originally Issued</u>
General Obligation Bonds:			
Bridge/Water system	05/28/13	0.65-3.50%	\$ 900,000
Bank Loan:			
New Holland TV6070 Tractor	11/12/13	3.75%	\$ 89,316
Total indebtedness			

See Accompanying Independent Auditor's Report.

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$900,000	\$ -	\$ 40,000	\$860,000	\$ 18,354	\$ -
\$ -	\$ 89,316	\$ -	\$ 89,316	\$ -	\$ -
<u>\$900,000</u>	<u>\$ 89,316</u>	<u>\$ 40,000</u>	<u>\$949,316</u>	<u>\$ 18,354</u>	<u>\$ -</u>

CITY OF ROCKFORD, IOWA
BOND AND LOAN MATURITIES
JUNE 30, 2014

Year Ending June 30,	<u>GENERAL OBLIGATION BONDS</u>	
	<u>Bridge/Water System</u>	
	<u>Issued May 28, 2013</u>	
	<u>Interest Rates</u>	<u>Amount</u>
2015	0.65%	\$ 40,000
2016	0.65	40,000
2017	1.25	40,000
2018	1.25	45,000
2019	1.25	45,000
2020	1.25	45,000
2021	1.70	45,000
2022	1.70	45,000
2023	1.70	45,000
2024	1.70	45,000
2025	2.15	50,000
2026	2.15	50,000
2027	2.15	50,000
2028	2.15	50,000
2029	3.50	55,000
2030	3.50	55,000
2031	3.50	55,000
2032	3.50	60,000
Total		<u>\$860,000</u>

Year Ending June 30,	<u>BANK LOAN</u>	
	<u>New Holland Tractor</u>	
	<u>Issued November 12, 2013</u>	
	<u>Interest Rates</u>	<u>Amount</u>
2015	3.75%	\$ 7,052
2016	3.75	7,665
2017	3.75	7,945
2018	3.75	8,250
2019	3.75	8,560
2020	3.75	8,881
2021	3.75	9,210
2022	3.75	9,559
2023	3.75	9,918
2024	3.75	12,276
Total		<u>\$ 89,316</u>

See Accompanying Independent Auditor's Report.

CITY OF ROCKFORD, IOWA
 SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -
 ALL GOVERNMENTAL FUNDS
 FOR THE LAST TWO YEARS

	<u>2014</u>	<u>2013</u>
Receipts:		
Property tax	\$ 209,262	\$ 198,346
Other city tax	72,618	92,025
Licenses and permits	1,138	1,168
Use of money and property	1,300	2,216
Intergovernmental	1,079,673	291,128
Charges for service	39,458	40,304
Miscellaneous	46,860	26,431
Total	<u>\$1,450,309</u>	<u>\$ 651,618</u>
Disbursements:		
Operating:		
Public safety	\$ 25,019	\$ 23,686
Public works	161,782	181,142
Culture and recreation	69,395	78,348
Community and economic development	4,418	4,534
General government	161,128	115,186
Debt service	58,954	250
Capital projects	1,579,180	223,163
Total	<u>\$2,059,876</u>	<u>\$ 626,309</u>

See Accompanying Independent Auditor's Report.

CITY OF ROCKFORD, IOWA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2014

<u>GRANTOR/PROGRAM</u>	<u>CFDA NUMBER</u>	<u>AGENCY PASS-THROUGH NUMBER</u>	<u>PROGRAM EXPENDITURES</u>
Indirect:			
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BRS-6567(601)-8N-34	\$ <u>976,188</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Rockford and is presented on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See Accompanying Independent Auditor's Report.



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Members of the City Council:

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Rockford, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued my report thereon dated December 23, 2014. My report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City of Rockford's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Rockford's internal control. Accordingly, I do not express an opinion on the effectiveness of the City of Rockford's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, I identified deficiencies in internal control I consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Rockford's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings as items II-A-14, II-B-14 and II-C-14 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. There were no deficiencies described in Part II of the accompanying Schedule of Findings that I consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Rockford's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Rockford's Responses to the Findings

The City of Rockford's responses to the findings identified in my audit are described in the accompanying Schedule of Findings. The City of Rockford's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

I would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Rockford during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Charles City, Iowa
December 23, 2014



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

To the Honorable Mayor and
Members of the City Council:

Report on Compliance for Each Major Federal Program

I have audited the City of Rockford, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the City of Rockford's major federal program for the year ended June 30, 2014. The City of Rockford's major federal program is identified in Part I of the accompanying Schedule of Findings.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for the City of Rockford's major federal program based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Rockford's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe my audit provides a reasonable basis for my opinion on compliance for the major federal program. However, my audit does not provide a legal determination of the City of Rockford's compliance.

Opinion on Each Major Federal Program

In my opinion, the City of Rockford complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Other Matters

The results of my auditing procedures disclosed an instance of non-compliance which is required to be reported in accordance with OMB Circular A-133 and is described as item III-A-14 in the accompanying Schedule of Findings. My opinion on the major federal program is not modified with respect to this matter.

The City of Rockford's response to the non-compliance finding identified in my audit is described in the accompanying Schedule of Findings. The City of Rockford's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

Report on Internal Control Over Compliance

The management of the City of Rockford is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the City of Rockford's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the City of Rockford's internal control over compliance.

My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, I identified a deficiency in internal control over compliance I consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. I consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings as item III-A-14 to be a material weakness.

The City of Rockford's response to the internal control over compliance finding identified in my audit is reported in the accompanying Schedule of Findings. The City of Rockford's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. According, this report is not suitable for any other purpose.



Charles City, Iowa
December 23, 2014

CITY OF ROCKFORD, IOWA
Schedule of Findings
Year Ended June 30, 2014

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major program was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 20.205 - Highway Planning and Construction.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Rockford did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-14 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that one person has control over most of the accounting and banking functions.

Recommendation - I realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response - We will review procedures and make changes to improve internal control where possible.

Conclusion - Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

**CITY OF ROCKFORD, IOWA
Schedule of Findings
Year Ended June 30, 2014**

Part II: Findings Related to the Financial Statements: - continued

II-B-14 Countersignature of Checks - The City requires checks to be signed by two authorized individuals. I noted a check with only one authorized signature.

Recommendation - Checks should be prepared and signed by one individual and then the supporting documentation should be made available along with the check to a second independent individual for review and countersignature.

Response - We will follow procedures for two signatures on all checks.

Conclusion - Response accepted.

II-C-14 Information Systems Controls - The City does not have a written disaster recovery plan. Also, adequate fire protection of computers and files does not exist.

Recommendation - The City should implement the controls necessary to protect the processing of computer information.

Response - We will do this.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

CFDA Number 20.205: Highway Planning and Construction

Pass-through Agency Number: BRS-6567(601)-8N-34

Federal Award Year: 2014

U.S. Department of Transportation

Passed through the Iowa Department of Transportation

(2014-001) Segregation of Duties over Federal Receipts - The City did not properly segregate collection, deposit and record-keeping for receipts, including those related to federal programs. See item II-A-14.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-14 Certified Budget - Disbursements during the year ended June 30, 2014, exceeded the amount budgeted in the debt service function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

CITY OF ROCKFORD, IOWA
Schedule of Findings
Year Ended June 30, 2014

Part IV: Other Findings Related to Required Statutory Reporting: - continued

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - We will do this in the future.

Conclusion - Response accepted.

IV-B-14 Questionable Disbursements - No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-14 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-14 Business Transactions - No business transactions between the City and City officials or employees were noted.

IV-E-14 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-14 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-G-14 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

IV-H-14 Official Depositories - A resolution naming official depositories has been approved by the City. The maximum deposit amount stated in the resolution was exceeded during the year ended June 30, 2014.

Recommendation - A new resolution should be approved in amounts sufficient to cover anticipated deposits for all depositories.

Response - We will review our current resolution and make changes as necessary.

Conclusion - Response accepted.

IV-I-14 Financial Condition - At June 30, 2014, the City had deficit balances as follows:

Special Revenue, Hazard Mitigation Fund	\$ 606
Capital Projects, Property Acquisition Fund	4,226
Enterprise, Storm Sewer Fund	6,684
Enterprise, Thermostat Fund	34,468
Enterprise, Rebate Program Fund	1,250
Enterprise, Office Project Fund	87,768

Recommendation - The City should monitor these accounts and investigate alternatives to eliminate these deficits in order to return them to a sound financial condition.

Response - These accounts will be monitored in the future.

Conclusion - Response accepted.

CITY OF ROCKFORD, IOWA
Schedule of Findings
Year Ended June 30, 2014

Part IV: Other Findings Related to Required Statutory Reporting: - continued

IV-J-14 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation - The City should obtain and retain images of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa.

Response - We will look into this.

Conclusion - Response accepted.

IV-K-14 Transfers - The City transferred funds to the Debt Service Fund from various other funds, however, the transfers were neither budgeted for nor were documented in the minutes for approval by the City Council.

Recommendation - Transfers should be approved by the City Council or by budget.

Response - We will do this.

Conclusion - Response accepted.